

Department of Social and Health Services Medical Assistance Payments

(Dollars in Thousands)

	NGF-S	Other	Total
2007-09 Expenditure Authority	4,083,328	4,363,282	8,446,610
2009 Supplemental *	-272,806	325,058	52,252
Total 2007-09 Biennium	3,810,522	4,688,340	8,498,862
2009-11 Maintenance Level	4,787,155	4,831,161	9,618,316
Policy Changes - Non-Comp			
1. Reduce Alien Emergency Medical	-13,868	0	-13,868
2. Eliminate GA-U Mental Health Pilot	-3,378	0	-3,378
3. Eliminate Foster Care Pilot	-574	-594	-1,168
4. Reduce Maternity Support Services	-8,208	-8,538	-16,746
5. Reduce Funding for DME	-14,924	-20,219	-35,143
6. Eliminate Medicare Part C Premiums	-1,232	0	-1,232
7. Enhanced Match for Pregnancy Svcs	-317	317	0
8. Children's Mental Health	19	-169	-150
9. Reduce CPE Baseline	-5,600	0	-5,600
10. DSH Program Reductions	-24,607	-11,068	-35,675
11. Health Navigator Pilot	-1,308	-1,390	-2,698
12. Adult Office Visit Rate Reduction	-4,053	-4,305	-8,358
13. Apple Health Outreach	850	1,580	2,430
14. Enhanced Match for Interpreters	-3,382	3,382	0
15. Federal Stimulus Package - FMAP Inc	-746,359	690,131	-56,228
16. Administrative Reductions	-20,086	-20,086	-40,172
17. 90-Day Supplies For Low-Risk Drugs	-6,106	-7,232	-13,338
18. Reduce Costs For Hemophilia Drugs	-8,299	-9,831	-18,130
19. Emphasize Use of Generic Drugs	-40,534	-47,604	-88,138
20. Drug Purchasing Initiatives	-7,358	-8,696	-16,054
21. Reduce Proton Pump Inhibitors	-5,992	-7,097	-13,089
22. Reduce Over-the-Counter Drugs	-15,851	-18,775	-34,626
23. Prorated Inpatient Payment Policy	-7,030	-9,321	-16,351
24. Claim FMAP For Transportation Admin	-44	44	0
25. Higher FMAP For 133-200% FPL Kids	-46,515	46,515	0
26. Move All Hospitals to OPPS	-3,627	-5,381	-9,008
27. Equalize Rates Paid For Childbirth	-1,744	-2,312	-4,056
28. Reduce Enhancement For FQHCs	-25,000	-37,380	-62,380
29. Pediatric Rate Decrease	-17,881	-24,838	-42,719
30. Offender Medical Placement	646	864	1,510
31. Medical Support Obligations	55	53	108
32. IGT for Tribal CD Services	0	10,900	10,900
33. ProviderOne Implementation	17,663	20,371	38,034
34. Dental Reduction	-7,304	-9,187	-16,491
35. Eliminate Small Rural DSH	-3,000	-3,000	-6,000
36. Graduate Medical Education Payments	-19,600	0	-19,600
37. Reduce GA-U Medical	-36,742	-5,789	-42,531
38. Healthy Options Premium Rates	-32,604	-44,193	-76,797
39. Cost Control in Other Services	-3,943	-5,485	-9,428
40. Medicaid Match for Legal Immigrants	-3,919	3,919	0
41. Increase DSH Payments	2,500	2,500	5,000
42. Hospice Rate Adjustment	-796	-1,128	-1,924
43. Inpatient & Outpatient Reductions	-64,309	-56,836	-121,145
44. GA-U Outpatient DSH Program	-10,892	10,892	0
45. Washington Health Partnership	93	93	186
46. Governor-Directed Freeze	-8,092	-8,092	-16,184
47. Governor-Directed 1% Cut	-934	-310	-1,244
Policy -- Non-Comp Total	-1,204,186	412,705	-791,481

Department of Social and Health Services Medical Assistance Payments

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	NGF-S	Other	Total
Policy Changes - Comp			
48. Employee Health Insurance	303	579	882
49. Actuarial Method Changes-State	-1,088	-2,028	-3,116
Policy -- Comp Total	-785	-1,449	-2,234
Total 2009-11 Biennium	3,582,184	5,242,417	8,824,601
Fiscal Year 2010 Total	1,597,387	2,690,757	4,288,144
Fiscal Year 2011 Total	1,984,797	2,551,660	4,536,457

Comments:

1. **Reduce Alien Emergency Medical** - Funding is reduced for non-emergent services provided to individuals otherwise eligible for Medicaid but for their citizenship status. Services are retained for renal dialysis, cancer-related treatment, and other services that are approved under federal Medicaid definitions for emergency services.
2. **Eliminate GA-U Mental Health Pilot** - Funding is eliminated for a pilot project that added a mental health service component to the General Assistance-Unemployable (GA-U) medical care services care management pilot project in King and Pierce Counties.
3. **Eliminate Foster Care Pilot** - Funding is eliminated for the implementation of the Center for Foster Care Health Services pilot project, which sought to provide care coordination services and maintain individual health histories for approximately 2,000 children in foster care. (General Fund-State, General Fund-Federal)
4. **Reduce Maternity Support Services** - Maternity Support Services (MSS) provide preventive health care services for pregnant and postpartum women that include professional observation, assessment, education, intervention, and counseling as provided by interdisciplinary teams comprised of community health nurses, nutritionists, and behavioral health specialists. Funding for MSS services is reduced by 20 percent and the Health and Recovery Services Administration (HRSA) is directed to prioritize funding for women with high-risk pregnancies. (General Fund-State, General Fund-Federal)
5. **Reduce Funding for DME** - Funding for durable medical equipment (DME) is reduced by approximately 12 percent of total expenditures. Coverage for bath support equipment is eliminated and supplies of non-sterile gloves, incontinence supplies, diabetic supplies, and enteral nutrition are reduced. (General Fund-State, General Fund-Federal)
6. **Eliminate Medicare Part C Premiums** - Funding is eliminated for premium co-payments for dual-eligible (Medicaid and Medicare) clients enrolled in Medicare Part C Advantage Plans.
7. **Enhanced Match for Pregnancy Svcs** - Approximately 200 pregnant women on the Medicaid caseload who cannot verify citizenship will be transferred to the non-citizen pregnant program which receives enhanced federal match. (General Fund-State, General Fund-Federal)
8. **Children's Mental Health** - Funding is provided to maintain the expansion of mental health visits for children from 12 to 20 visits pursuant to Chapter 388, Laws of 2009 (2SHB 1373), which removes the July 1, 2010, expiration date for the expansion that was authorized in the 2007-09 biennium. (General Fund-State, General Fund-Federal)
9. **Reduce CPE Baseline** - Under the Certified Public Expenditure (CPE) Program, if payments are less than a baseline amount based on the total payment for claims for services rendered during the year as calculated according to the methodology and Disproportionate Share Hospital (DSH) amounts paid to hospitals and retained in 2005, then hospitals receive a state grant equal to the difference between payments during the year and the related baseline amount. HRSA will remove non-existent Intergovernmental Transfer programs from the CPE baseline, which will reduce these "hold harmless" payments.
10. **DSH Program Reductions** - Funding for Indigent Assistance DSH payments and Indigent Assistance state grants are suspended for FY 2010, and all but the state grants are restored for FY 2011. CPE hospitals are held harmless to half of the amount of their Indigent Assistance DSH payments made in 2005 in the CPE baseline calculation. (General Fund-State, General Fund-Federal)
11. **Health Navigator Pilot** - Funding is eliminated for the Health Navigator pilot project, which sought to improve service coordination and evidence-based care for approximately 1,000 children at disproportionate risk of receiving poor health care due to language and cultural barriers. (General Fund-State, General Fund-Federal)
12. **Adult Office Visit Rate Reduction** - The 12 percent rate increase provided during the 2007-09 biennium for adult office visits is discontinued. Savings are calculated effective July

Department of Social and Health Services

Medical Assistance Payments

2009 for fee-for-service providers and January 2010 for managed care providers. (General Fund-State, General Fund-Federal)

13. **Apple Health Outreach** - Funding is provided to continue outreach activities to increase the enrollment of eligible children in the Apple Health for Kids program. (General Fund-State, General Fund-Federal)
14. **Enhanced Match for Interpreters** - The federal Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009 provides an enhanced matching rate of 75 percent in Medicaid and the Children's Health Insurance Program for translation and interpretation services for families for whom English is not the primary language. (General Fund-State, General Fund-Federal)
15. **Federal Stimulus Package - FMAP Inc** - Under the American Recovery and Reinvestment Act of 2009 (the federal stimulus act), the Federal Medical Assistance Percentage (FMAP), which is the share of Medicaid costs that the federal government provides, will increase to 62.94 percent from the average of 50.33 percent originally budgeted for FY 2010 and to 56.53 percent from the average of 50.12 percent originally budgeted for FY 2011. This results in reduced state expenditures. (General Fund-State, General Fund-Federal)
16. **Administrative Reductions** - Efficiencies are achieved through administrative reductions that were initiated during FY 2009. Reductions include travel, hiring, contracts, and other administrative changes. (General Fund-State, General Fund-Federal)
17. **90-Day Supplies For Low-Risk Drugs** - Savings will be achieved by requiring pharmacy providers to dispense a 90-day supply of drugs for patients who require maintenance prescriptions of low-risk pharmaceuticals, which will reduce pharmacy dispensing charges. (General Fund-State, General Fund-Federal)
18. **Reduce Costs For Hemophilia Drugs** - HRSA will pursue a competitive procurement process for the purchase of Antihemophilic Factor products, emphasizing evidence-based medicine and protection of patient access. (General Fund-State, General Fund-Federal).
19. **Emphasize Use of Generic Drugs** - HRSA will achieve savings by emphasizing the use of generic drugs through multiple strategies, including evaluating the reimbursement amount based on Average Wholesale Price (AWP). Other strategies include limiting off-label usage and promoting generic drugs as the first course of treatment. The budget assumes a gradual phase-in to a 20 percentage point increase in generic utilization by FY 2011, and funds are provided for the additional staff required to achieve these savings. (General Fund-State, General Fund-Federal)
20. **Drug Purchasing Initiatives** - HRSA will pursue drug purchasing initiatives aimed at achieving greater cost effectiveness, including establishing medical necessity criteria for long-acting opioid drugs for clients with multiple prescribers, establishing medical necessity criteria for off-label prescriptions, implementing step therapy for appropriate use of certain drugs, making a maximum daily dose limit for Acetaminophen of four grams, and stopping coverage of products that are not approved by the Centers for Medicare and Medicaid Services (CMS). (General Fund-State, General Fund-Federal)
21. **Reduce Proton Pump Inhibitors** - Savings will be achieved by requiring prior authorization when a prescription for a Proton Pump Inhibitor, which reduces gastric acid production, has been continued for more than 90 consecutive days. (General Fund-State, General Fund-Federal)
22. **Reduce Over-the-Counter Drugs** - Savings will be achieved by eliminating reimbursement for selected over-the-counter (OTC) drugs. HRSA will continue reimbursement for those OTC medications that can replace more costly prescription medications. (General Fund-State, General Fund-Federal)
23. **Prorated Inpatient Payment Policy** - HRSA will implement a prorated inpatient payment policy for hospitals. Savings will be achieved by conducting reviews of facility-based billings to identify when hospitals inappropriately bill for inpatient services on days when patients are transferred to other facilities with lower costs. In determining the level of reductions needed, HRSA will include services paid under fee-for-service, managed care, and certified public expenditure payment methods in its calculations. (General Fund-State, General Fund-Federal)
24. **Claim FMAP For Transportation Admin** - Reimbursement for contracted administration of transportation services will be at the standard FMAP instead of the lower administrative FMAP. Additional savings from this change are reflected under the item "Federal Stimulus Package - FMAP Inc." (General Fund-State, General Fund-Federal)
25. **Higher FMAP For 133-200% FPL Kids** - The federal CHIPRA provides enhanced federal matching funds of two dollars for every one dollar of state spending for Medicaid-eligible children in families with incomes between 133 and 200 percent of the federal poverty level (FPL). Savings are achieved because the enhanced match applies to claims that were previously matched at the Medicaid matching rate. Before the enactment of CHIPRA, Washington State received enhanced federal matching funds for children between 150 and 200 percent of the federal poverty level but only up to 20 percent of the Washington's State Children's Health Insurance Program (SCHIP) allotment. (General Fund-State, General Fund-Federal)
26. **Move All Hospitals to OPPS** - Savings will be achieved by shifting all hospitals except critical access hospitals to the Outpatient Prospective Payment System (OPPS) methodology for the reimbursement of outpatient hospital services. Currently

Department of Social and Health Services

Medical Assistance Payments

in-state children's and specialty hospitals are reimbursed using a ratio of cost-to-charges methodology that is more costly than OPPS overall. (General Fund-State, General Fund-Federal)

27. **Equalize Rates Paid For Childbirth** - Savings will be achieved by adjusting hospital reimbursement rates for childbirth so that the rate paid for C-section procedures without complications will be lower than the rate paid for natural deliveries with complicating diagnoses. (General Fund-State, General Fund-Federal)
28. **Reduce Enhancement For FQHCs** - Adjustments to Healthy Options enhanced payments for Federally Qualified Health Centers (FQHCs) and Rural Health Clinics in response to a 2006 federal audit will result in lower payments. (General Fund-State, General Fund-Federal)
29. **Pediatric Rate Decrease** - In the 2007 legislative session, pediatric office visit rates were increased by 48 percent or to 90 percent of the Uniform Medical Plan (UMP) rate. This rate increase is reduced from a 48 percent increase to a 15 percent increase, and savings are calculated effective July 2009 for fee-for-service providers and January 2010 for managed care providers. (General Fund-State, General Fund-Federal)
30. **Offender Medical Placement** - The Department of Corrections (DOC) will implement a policy of early release for offenders who are chronically or terminally ill, pursuant to Chapter 441, Laws of 2009 (EHB 2194). Offenders serving time on violent or sex offense charges are not eligible for release. DOC expects to release 44 inmates during the 2009-11 biennium to an Extraordinary Medical Placement in the community. Savings for no longer serving these individuals in DOC are used to pay for long-term care placements and medical services in the community. (General Fund-State, General Fund-Federal)
31. **Medical Support Obligations** - Funding is provided pursuant to Chapter 476, Laws of 2009 (SHB 1845), which enacts federal regulations allowing courts to obligate parents to pay medical support equal to the obligated parent's proportionate share of the health insurance premium paid by the other parent or the state. The medical support payments shall not exceed 25 percent of the basic child support obligation. Savings are assumed beginning in FY 2011. (General Fund-State, General Fund-Federal)
32. **IGT for Tribal CD Services** - In March 2008, CMS directed the state to discontinue using certified public expenditures for the tribal expenditures eligible for Medicaid funding for chemical dependency (CD) services. Tribes are required to use an intergovernmental transfer (IGT) to shift revenue to the state for use in claiming federal match. This IGT, along with the federal funds, will be transferred back to the tribes. Local expenditure authority is provided to recognize the transfer of revenue from the tribes to the state for use in claiming federal match. (General Fund-Private/Local)
33. **ProviderOne Implementation** - Funding is provided for the continued implementation of ProviderOne, the system scheduled to replace the Medicaid Management Information System (MMIS) as the Department's primary payment system. When fully operational, the system will pay more than 100,000 providers, support the delivery of services to more than one million clients, and manage roughly \$4 billion per year in Medicaid and other payments. (General Fund-State, General Fund-Federal)
34. **Dental Reduction** - HRSA is directed to reduce dental expenditures by approximately 4 percent of total expenditures during the 2009-11 biennium. These reductions will prioritize rolling back some of the dental rate increases provided during the 2007 legislative session and measures to control utilization rather than terminating any dental services. (General Fund-State, General Fund-Federal)
35. **Eliminate Small Rural DSH** - The Small Rural DSH program, which was established before small rural hospitals attained federal Critical Access Hospital status, is eliminated. (General Fund-State, General Fund-Federal)
36. **Graduate Medical Education Payments** - Funding is discontinued for supplemental Graduate Medical Education (GME) payments to Harborview Medical Center and the University of Washington Medical Center. GME is a component in the fee-for-service and managed care inpatient rates these facilities receive. Eliminating this supplemental payment also reduces state-funded hold-harmless grants under the CPE program.
37. **Reduce GA-U Medical** - Savings in the GA-U medical program are expected from transitioning clients from fee-for-service reimbursement to managed care and initiatives within the Economic Services Administration to reduce the GA-U caseload. These initiatives include emphasizing facilitation of GA-U clients to the federal Supplemental Security Income program, referring eligible veterans to the Department of Veterans' Affairs, expediting referrals to mental health and chemical services, changing the earned income policy to align with the Temporary Assistance to Needy Families program, and evaluating clients who have been receiving GA-U services for 12 months or more to verify eligibility. (General Fund-State, General Fund-Federal)
38. **Healthy Options Premium Rates** - HRSA will reduce premiums for Healthy Options managed care by 1 percent in calendar year 2009, and premiums will not be increased for the 2009-11 biennium. The maintenance level forecast assumed no growth in these premiums in calendar year 2009 and a 2.5 percent annual growth rate for calendar years 2010 and 2011. (General Fund-State, General Fund-Federal)
39. **Cost Control in Other Services** - Funding is reduced for transportation, laboratory, and X-ray services by approximately 4 percent of total expenditures for the 2009-11 biennium. HRSA may reduce rates or take measures to control utilization

Department of Social and Health Services

Medical Assistance Payments

or a combination of both in order to achieve these savings. HRSA will prioritize controlling costs and utilization of advanced imaging services. (General Fund-State, General Fund-Federal)

40. **Medicaid Match for Legal Immigrants** - The federal CHIPRA of 2009 allows for federal Medicaid matching funds for legal immigrants who would otherwise be eligible for Medicaid but have resided in the country for less than five years. Washington will receive federal matching funds for approximately 3,600 legal immigrants in the Children's Health Program, which is currently approximately 90 percent state-funded. (General Fund-State, General Fund-Federal)
41. **Increase DSH Payments** - In order to mitigate the transition to OPSS, a one-time increase in funding is provided for the Low-Income DSH program. (General Fund-State, General Fund-Federal)
42. **Hospice Rate Adjustment** - Hospice rates that are tied to nursing home rates are reduced to reflect nursing home rate reductions for the 2009-11 biennium. (General Fund-State, General Fund-Federal)
43. **Inpatient & Outpatient Reductions** - Inpatient and outpatient hospital expenditures are reduced by approximately 4 percent of total expenditures for the 2009-11 biennium, and HRSA will adjust rates in order to meet this target. HRSA will include services paid under fee-for-service, managed care, and certified public expenditure payment methods in its calculations. These reductions will not apply to payments for psychiatric inpatient services or payments to critical access hospitals. (General Fund-State, General Fund-Federal)
44. **GA-U Outpatient DSH Program** - During FY 2010, HRSA will provide DSH payments to hospitals for providing outpatient services to low-income patients who are eligible for medical assistance under the GA-U program. (General Fund-State, General Fund-Federal)
45. **Washington Health Partnership** - Funding is provided for HRSA to pursue a federal Medicaid waiver pursuant Chapter 545, Laws of 2009, Partial Veto (2SSB 5945). (General Fund-State, General Fund-Federal)
46. **Governor-Directed Freeze** - In response to rising energy prices and other economic conditions, in August 2008, the Governor directed state agencies to cut gasoline consumption and freeze new hiring, out-of-state travel, personal service contracts, and equipment purchases not related to public safety or other essential activities. These savings are continued into the 2009-11 biennium. (General Fund-State, General Fund-Federal)
47. **Governor-Directed 1% Cut** - In October 2008, the Governor directed agencies to find an additional \$240 million in savings. These savings are continued into the 2009-11 biennium. This reduction includes the elimination of a foster care nurse hotline, chronic care management contracts, and pilot projects

for improving access to dental care for seniors and providing in-home care for asthmatic children. (General Fund-State, General Fund-Federal)

48. **Employee Health Insurance** - Funding for employee health benefits is increased by 3 percent each year, to \$745 per employee per month in FY 2010 and \$768 in FY 2011. Subject to statutory limitations and the requirements of any applicable collective bargaining agreements, the Public Employees' Benefits Board (PEBB) may make adjustments to employee premium contributions, point of service payments, or plan design in order to provide benefits within available funding. (General Fund-State, various other funds)
49. **Actuarial Method Changes-State** - Funding for employer contributions to state retirement systems is reduced to reflect changes to actuarial assumptions and methods used for many of the Washington State retirement systems. More detailed information about this item is provided in Agency 713 - State Employee Compensation Adjustments. (various funds)

* Please see the 2009 Supplemental Operating Budget Section for additional information.

**Department of Social & Health Services
Medical Assistance Payments**

WORKLOAD HISTORY

By Fiscal Year

	2002	2003	2004	2005	2006	2007	2008	Estimated		
								2009	2010	2011
Categorically Needy	788,931	823,343	815,257	810,363	840,971	843,188	878,383	926,668	967,945	1,000,498
AFDC/TANF	272,388	275,716	283,973	293,185	283,290	267,492	251,827	258,678	267,403	274,673
Elderly	53,091	53,819	54,573	55,544	56,467	57,037	57,620	58,646	59,816	61,024
Disabled	114,587	118,466	123,248	126,868	129,667	132,358	135,894	140,093	144,297	148,361
Non-AFDC Children	319,793	343,521	319,772	298,548	329,580	332,430	363,363	392,506	416,535	430,696
Non-AFDC Pregnant Women	23,937	25,707	26,366	27,121	27,589	28,488	29,176	29,482	30,126	30,820
Undocumented Children	0	0	0	0	2,528	10,126	23,564	28,970	30,085	33,897
Medicare Beneficiaries	5,036	5,850	7,066	8,563	10,689	13,781	15,214	16,318	17,533	18,722
Breast & Cervical Cancer	69	121	0	56	375	495	566	645	719	780
Medicaid Buy-In	30	143	261	479	787	981	1,158	1,328	1,433	1,526
Medically Needy	14,528	15,949	16,972	17,849	16,536	13,593	13,574	13,073	13,061	13,078
Elderly	6,005	6,382	6,510	6,592	6,150	5,233	5,165	5,038	5,052	5,069
Disabled	8,523	9,567	10,462	11,257	10,385	8,360	8,409	8,035	8,009	8,009
Childrens Health Insurance Program	6,049	7,320	9,516	13,303	11,786	11,409	11,957	14,540	17,691	18,974
General Assistance/ADATSA										
# Persons/Month	11,671	10,169	11,651	14,109	15,982	17,147	17,948	20,133	21,767	23,062
State Medically Indigent										
# Persons/Month	3,331	3,997	0	0	0	0	0	0	0	0
Refugees										
# Persons/Month	933	677	684	685	754	739	674	704	688	688
Total Eligibles per Month	825,443	861,455	854,080	856,310	886,028	886,076	922,536	975,118	1,021,152	1,056,300
% Change from prior year		4.4%	-0.9%	0.3%	3.5%	0.0%	4.1%	5.7%	4.7%	3.4%

Data Sources :

Caseload Forecast Council and legislative fiscal committees.